

MEETING OF THE BOARD OF BANK ADVISORS

February 23, 2015

11:00 am

Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Roger Shumway, Matt Packard, Craig White, Jason Price, and Eric Schmutz.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Tom Bay, Paul Allred, Darryle Rude, Lonny Stillman, Shaun Berrett, Commissioner Leary and Sonja Long.

OTHERS PRESENT:

Jon Allen, Bank of American Fork; John Sorenson, Home Savings Bank; Don Norton, Capital Community Bank; Ray Dardano, Marlin Business Bank; Brad Baldwin, First Utah Bank; Doug DeFries, Bank of Utah; J. Ryan Nielsen, American Bank of Commerce; and Michael Fosmark, Continental Bank.

1. Call Meeting to Order – Chairman Roger Shumway

2. Elect new chairman and vice-chairman –

Craig White nominated Jason Price as chairman, Matt Packard seconded, it was unanimous. Roger Shumway nominated Eric Schmutz as vice-chairman, Matt Packard seconded, it was unanimous.

3. Minutes –

Eric Schmutz made the motion to accept the minutes, Roger Shumway seconded. It was unanimous.

4. Legislative update – Paul Allred

The department's bill came out as a committee bill, it passed and is enrolled and waiting for the Governor's signature. The detail of the bill is in the past minutes. The UBA's tracking list does an excellent job of tracking bills that are of concern to the industry. There is HR 6 dealing with payment options for state services, this is an attempt to get the

state to recognize BitCoin. This is something that is not going to go away, but Paul doesn't think that the state is ready to accept payment this way.

Commissioner Leary said that we have 73 registered money transmitters, that does not include any deposit taking institutions. Of which only two are headquartered in Utah. But last year dealing with terrorist financing and money laundering, we participated on four inter-state exams where a number of states were going in and doing an examination of these larger money transmitters together. We joined in and as a result of that he decided that he would feel more comfortable if we have the full body of the statute behind us for examination authority and supervisory authority. We will continue to do a few of those going forward. CFPB has authority over money transmitters, but there has not been a big push to join with States on those exams.

Eric Schmutz had a question about HB138, divorced people and debt. UBA has contacted Representative Powell about the problems with this bill. The bill is still held in committee.

Jason Price had a question about lending or leasing out of state. There are some states that are trying to charge taxes to other states. Is there anything in our legislature about that? Commissioner Leary and Paul Allred said that they are both aware of the issue, but haven't seen anything this year about that.

Ray Dardano asked about SB93, amendment to the UCC process. Paul explained what Senator Hillyard is trying to do; there was a brief discussion on this bill. The bill is still in committee.

5. Cyber Security Overview – Lonny Stillman

Lonny introduced himself. He explained how Cyber Security came to be in 2012. He gave out a large packet of handouts. Lonny said that Sonja will send out an electronic copy of the entire handout packet.

He started with the Presidential Executive Order. Only the first page was given out. Then he talked about the working group and what their charge was and who the representatives were. He went through the remainder of the handouts. There were a couple of questions and a discussion held on a couple of items that Lonny brought up.

Commissioner Leary said that this topic has created issues for the department as well as the banks.

6. Community Bank Performance Trends – Tom Bay

Tom gave out the reports. He went through the handout. They are year-end numbers.

Shaun added some new information to the handout. The charts are still under development. These are an attempt for Shaun, Tom, and Darryle to respond to the FDIC

regional office. They are asking the State's for input once a quarter on risk trends in the institutions. We haven't really dug into the data on the different loan categories. He asked that you consider these draft charts. The other pages are averages of your banks metrics. These new charts are taking the state as a whole and saying, in our state-chartered community banks aggregate loans balances, how much construction is there in total dollars. And let's look at how much of that is delinquent. Shaun went through the new charts that he printed. There was a discussion on the real estate based lending that happens in the West. Matt Packard told Shaun that these are great graphs. Shaun said that he can continue to include them with this report. If you have any suggestions, please let Tom or Shaun know.

7. Commissioner's comments – Commissioner Leary

The two money transmitters that are headquartered in Utah are GPS Capital in South Jordan and WingCash in Highland. There was a brief discussion on how money transmission works. Each state has their own licensing process. CFPB also has it under their umbrella.

Don Norton asked about interest and the payday lender concerns, no interest rate cap. Commissioner Leary said that he believes there are 17 states that have no interest rate cap. Paul Allred explained that each year in the Legislature there is at least one bill regarding payday lending. This year Representative Daw had a bill and it didn't get out of committee.

Commissioner Leary handed out the bank asset size list. This should move us into 4th largest for assets under supervision. One change that we know is coming, CIT Bank has made an offer to purchase the old IndyMac Bank in California. If it goes ahead, it would move CIT to an OCC bank.

We are in the process of trying to hire the last 3 examiner positions that we were unable to hire in the fall. We are looking for 4 examiners with the change in supervisory positions.

Roger Shumway said that the Ask the Fed has provided some more guidance on the HBCRE. The recorded Ask the Fed was very helpful.

John Sorenson said that the FHLB Seattle merger is moving forward. It still has to be approved by the members, but it looks like it happen by May.

8. Other business –

Roger Shumway brought up a Harvard study that has finally been published; he has emailed it to the board members. There was another study that came out from the OCC. They were basically saying to be collaborative with community banks.

Commissioner Leary said that the Commissioners would be in Washington for the Congressional fly-in in two weeks and that subject was on the agenda. There is always a discussion that the Federal agencies and states become more collaborative.

Commissioner Leary explained that we operate from a restricted fund based on the fees that our institutions pay us. The industrial bank side of the house approached the department about an idea they had to create the Lassande Institute at the University of Utah, David Eccles School of Business. A center dealing with state banking, supporting the state chartering of financial institutions and they wanted to use some of your money to start that. With the support of the industrial banks and Utah Bankers Association they approached the Governor's office to do this. So the department is working with all of them to get this started. Right now the amount is \$300,000 for three years. There was a discussion on the possibilities.

9. Date of next meeting – May 18, 2015 – 11:00 am